

Message Text

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ACTION EB-07

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 7152

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LIMA FOR FERREE

E.O. 11652: N/A

TAGS: ETRD, EAGR, BL

SUBJ: HEARINGS AND REQUIRED INFORMATION

REF: STATE 141876

1. FOLLOWING INFORMATION RESPONDS TO REFTEL. INFO IS FROM
EMBASSY FILES AS RECENTLY UPDATED IN CONVERSATIONS WITH BOLIVIAN
SUGAR COUNCIL (CNECA):

A. BECAUSE BOTH RAW AND REFINED SUGAR MUST BE BAGGED FOR
TRANSPORT, CNECA (PORTECT) MAINTAINS THAT THERE IS NO APPRECIABLE
DIFFERENCE IN PRODUCTION COSTS BETWEEN VARIOUS SUGAR GRADES.
IT CONFIDENTIALLY ESTIMATES PRODUCTION COSTS DELIVERED AT
MILL AT US\$.11 PER POUND. DO NOT PUBLISH THIS ESTIMATE.

B. BOLIVIAN DOMESTIC SUGAR PRICE SET BY GOB AT US\$.15 PER
POUND.

C. BOLIVIA RECEIVED AVERAGE US\$.265 FOR EACH POUND SUGAR
EXPORTED IN 1974.

D. CURRENT ESTIMATE FOR 1975 IS THAT BOLIVIA WILL PRODUCE
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165,600 M.T. SUGAR THIS YEAR AND EXPORT 32,200 M.T. THIS

IS BELIEVED TO BE CONSERVATIVE ESTIMATE AND ACTUAL EXPORTS WHICH BEGIN IN JULY AND GO UNTIL NOVEMBER MAY BE GREATER. CNECA ESTIMATES PRODUCTION IN 1976 AT 198,000 M.T. SUBTRACTING INTERNAL CONSUMPTION EMBASSY CALCULATES THAT EXPORTS WILL BE 55,000 M.T. FOR 1977 PRODUCTION PROJECTED AT 297,000 M.T. AND EXPORTS 144,000 M.T. THESE FIGURES MAY BE OVERLY OPTIMISTIC BUT ARE BASED ON PLANNED INCREASE IN GRINDING CAPACITY AND CANE PLANTINGS. CNECA MAKES NO PRODUCTION ESTIMATES BEYOND 1977. EMBASSY PROJECTION IS THAT 1980 PRODUCTION COULD BE BETWEEN 360,000 M.T. AND 500,000 M.T. LEAVING BETWEEN 175,000 M.T. AND 325,000 M.T. FOR EXPORT.

E. THREE OF BOLIVIA'S FOUR SUGAR MILLS ARE NOW EXPANDING GRINDING CAPACITY. GUABIRA WILL GO FROM MILLING 4,000 METRIC TONS SUGAR PER DAY IN 1974 TO 5,500 M.T. IN 1976; LA BELGICA 4,000 M.T. TO 4,500 M.T.; SAN AURELIO 2,000 M.T. TO 6,000 M.T. ONE NEW MAJOR MILL, INAGRO, IS NOW UNDER CONSTRUCTION IN SANTA CRUZ. IT SCHEDULED TO BE COMPLETED NEXT YEAR AND WILL MILL 4,000 M.T. OF CANE PER DAY. TWO OTHER SIMILAR SIZED PROJECTS BEING DISCUSSED. A PRE-FEASIBILITY STUDY HAS BEEN COMPLETED ON POSSIBLE MILL FOR ALTO BENI REGION WHICH DUE TO BECOME ACCESSIBLE AFTER IDB-FINANCED ROAD FROM LA PAZ COMPLETED IN 1977 OR 1978. OTHER POSSIBLE MILL FOR CHAPARE REGION NEAR COCHABAMBA IS STILL IN DISCUSSION STAGE.

F. CNECA PROJECTS 6 PER CENT INCREASE IN DOMESTIC CONSUMPTION. RECENT EXPERIENCE, HOWEVER, HAS SHOWN MUCH HIGHER GROWTH. IN 1972 AND 1973 INTERNAL MARKET GREW BY ABOUT 8 PER CENT AND IN 1974 BY NEARLY 18 PER CENT. THESE HIGHER FIGURES MAY BE DUE IN PART TO CONTRABAND EXPORTS TO NEIGHBORING COUNTRIES. EMBASSY USES 7 PERCENT FOR GROWTH PROJECTIONS.

G. ONE MILL HAS ENTERED INTO LONG-TERM CONTRACT FOR 6,000 M.T. ANNUAL EXPORT WITH FRENCH BROKER AS PART OF EXPANSION FINANCING DEAL.

H. THROUGH PERIODIC DECREES GOB ATTEMPTS CONTROLS DOMESTIC RETAIL SUGAR PRICE AND PRICE PAID FOR CANE. DECREE ISSUED SEVERAL YEARS AGO LIMITS PROPORTION OF NEEDED CANE SUPPLIES LIMITED OFFICIAL USE

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EACH MILL CAN GROW ITSELF. PRESENT LIMIT OF 6 PER CENT IS SAID TO AFFECT ECONOMIC VIABILITY OF MILLS ADVERSELY. CNECA MADE UP OF REPRESENTATIVES OF CANE GROWERS, MILLERS AND GOVERNMENT. GOB OF COURSE DOMINATES. GOB IS ABLE TO ASSURE THROUGH CNECA QUOTAS THAT DOMESTIC SUGAR DEMAND AMPLY MET. WHEN U.S. QUOTA EXISTED IT WAS ALSO ABLE TO DIRECT EXPORTS. NOW EACH MILLER MAY MAKE OWN EXPORT DEALS AFTER SATISFYING DOMESTIC QUOTA.

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